

**OVERSIGHT BOARD TO THE FORMER
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON

STAFF REPORT**

DATE: JANUARY 8, 2013

TO: THE HONORABLE CHAIR AND BOARD MEMBERS

FROM: EXECUTIVE DIRECTOR

**SUBJECT: RECEIVE AND REVIEW THE DUE DILIGENCE REVIEW FOR NON-
HOUSING FUND AND ACCOUNT BALANCES OF THE FORMER
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF
COMPTON IN ACCORDANCE WITH HEALTH AND SAFETY CODE
SECTION 34179.5 AND CONVENE THE PUBLIC COMMENT SESSION**

BACKGROUND:

Pursuant to Health and Safety Code Section 34179.5, each successor agency must employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct two due diligence reviews, one for the Low and Moderate Income Housing Fund (the “LMIHF DDR”) and one for the other funds and accounts of the former redevelopment agency (the “Other Funds DDR”), to determine the unobligated balances available for transfer to taxing entities. As such, the accounting firm of Eadie and Payne were retained by the Successor Agency to conduct the Other Funds DDR.

The Other Funds DDR is a review of the cash and cash equivalents, as of June 30, 2012, in the successor agency’s funds and accounts, other than the Low and Moderate Income Housing Fund, to determine the amount available for disbursement to taxing entities. In summary, such amount is determined to be the total value of assets and cash and cash equivalents in all funds and accounts of the former redevelopment agency, excluding the Low and Moderate Income Housing Fund, minus the following (“Restricted Assets”): (1) restricted funds, (2) assets that are not cash or cash equivalents, (3) amounts that are legally or contractually dedicated or restricted for the funding of an enforceable obligation, and (4) amounts that are needed to satisfy obligations that will be put on the Recognized Obligation Payment Schedule (“ROPS”) for the current fiscal year.

The amount determined to be available for allocation to taxing entities includes the value of assets, cash and cash equivalents transferred after January 1, 2011 through June 30, 2012 by the former redevelopment agency or the successor agency to the city, another public agency or private person if an enforceable obligation to make that transfer did not exist. The Other Funds DDR documents the Restricted Assets and provides the respective amounts, sources and purposes for which the Restricted Assets should be retained.

DISCUSSION:

Health and Safety Code Section 34179.6 requires each successor agency by December 15, 2012, to submit the Other Funds DDR to the oversight board for the oversight board's review. After receipt of the Other Funds DDR, the oversight board must convene a public comment session to take place at least five business days before the oversight board holds the approval vote. The oversight board also must consider any opinions offered by the county auditor-controller on the review results submitted by the successor agency.

By January 15, 2013, the oversight board must review, approve, and transmit the Other Funds DDR to the State Department of Finance ("DOF") and the county auditor-controller. Health and Safety Code Section 34179.6 empowers the oversight board to authorize a successor agency to retain Restricted Assets and the oversight board may adjust any amount provided in the review to reflect additional information and analysis. In the event the oversight board authorizes the retention of Restricted Assets it must identify the amount of the funds authorized for retention, the source of those funds, and the purposes for which the funds are being retained. The review and approval must occur in public sessions. The oversight board may request from the successor agency any materials it deems necessary to assist in its review and approval of the Other Funds DDR.

The DOF must complete its review of the Other Funds DDR no later than April 1, 2013, and must notify the oversight board and the successor agency of its decision to overturn any decision of the oversight board to authorize a successor agency to retain Restricted Assets. The DOF must provide the oversight board and the successor agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the oversight board. The successor agency then has the option to meet and confer with DOF to discuss any modifications.

By April 20, 2013, the county auditor-controller must provide DOF a report specifying the amount submitted by each successor agency, and specifically noting any successor agency that failed to remit the full required amount.

Upon full payment of the amounts determined pursuant to the LMIHF DDR and the Other Funds DDR, payment of the "surplus" tax revenues due on July 12, 2012, if any, and payment of any unpaid or underpaid pass through payments owed for fiscal year 2011-12, DOF will issue to the successor agency, within five business days, a finding of completion of the requirements of Section 34179.6.

RECCOMENDATION:

Staff recommends the Board perform the following actions:

- 1.) Review the Due Diligence Report
- 2.) Convene the public comment session

Approved as to form:

BARRY J. SCHULTZ
LEGAL COUNSEL
OVERSIGHT BOARD

G. HAROLD DUFFEY
EXECUTIVE DIRECTOR

DR. KOFI SEFA-BOAKYE
DIRECTOR

Attachments: Draft Due Diligence Review report

RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON ACKNOWLEDGING THE RECEIPT OF THE REVIEW FOR FUND AND ACCOUNT BALANCES OF THE FORMER COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON CONDUCTED PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5

WHEREAS, Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Community Redevelopment Agency transferred to the control of the Successor Agency to the Community Redevelopment Agency (the "Successor Agency") by operation of law; and

WHEREAS, Health and Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities; and

WHEREAS, Pursuant to Health and Safety Code Section 34179.6, on October 31, 2012, the Oversight Board of the Successor Agency (the "Oversight Board") approved the results of the due diligence review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities; and

WHEREAS, Health and Safety Code Section 34179.6 also requires the Successor Agency to submit to the Oversight Board for the Oversight Board's review and approval the results of the due diligence review conducted pursuant to Section 34179.5 for all of the other fund and account balances of the former Community Redevelopment Agency, excluding the LMIHF, and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (the "Other Funds DDR"); and

WHEREAS, Pursuant to Health and Safety Code Sections 34179.6 and 34180(j), the Successor Agency submitted to the Oversight Board, the county administrative officer, the county auditor-controller, the State Controller and the Department of Finance ("DOF") the Other Funds DDR and a copy of the Recognized Obligation Payment Schedule ("ROPS"); and

WHEREAS, Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Other Funds DDR, and at least five business days before the Oversight Board considers the approval of the Other Funds DDR, the Oversight Board must hold a public comment session (the "Public Comment Session") at which time the public has an opportunity to hear and be heard on the results of the Other Funds DDR and at which time the Oversight Board shall consider the

opinions, if any, offered by the county auditor-controller on the results of the Other Funds DDR;
and

WHEREAS, on the date of this Resolution, the Oversight Board commenced the Public Comment Session pursuant to Health and Safety Code Section 34179.6(b).

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COMPTON HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. The Oversight Board hereby acknowledges receipt of the Other Funds DDR.

Section 3. That a certified copy of this resolution shall be filed in the offices of the Executive Director of the Successor Agency.

ADOPTED this ____ day of _____, 2013.

**CHAIRPERSON OF THE OVERSIGHT BOARD
TO THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

APPROVED AS TO FORM

**Barry J. Schultz
LEGAL COUNSEL FOR THE OVERSIGHT BOARD
TO THE SUCCESSOR AGENCY TO THE COMMUNITY
REDEVELOPMENT AGENCY OF THE CITY OF COMPTON**

ATTEST:

**SECRETARY TO THE OVERSIGHT BOARD
TO THE SUCCESSOR AGENCY TO THE**

**COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Rhonda Rangel, Secretary to the Oversight Board to the Successor Agency to the Community Redevelopment Agency of the City of Compton, hereby certify that the foregoing resolution was adopted by the Board, signed by the Chairperson, and attested by the Secretary at the regular meeting thereof held on the _____ day of _____, 2013.

That said resolution was adopted by the following vote, to wit:

AYES: BOARD MEMBERS -
NOES: BOARD MEMBERS -
ABSENT: BOARD MEMBERS -

**SECRETARY TO THE OVERSIGHT BOARD
TO THE SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF COMPTON**